

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 L-03 H-03

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 PA-04 PRS-01 USIA-15 TAR-02 DRC-01 /171 W

----- 057929

R 051908Z DEC 73 ZDK
FM AMEMBASSY BONN
TO SECSTATE WASHDC 9090
INFO AMEMBASSY VIENNA
USMISSION OECD PARIS
USMISSION EC BRUSSELS
AMCONSUL BREMN
AMCONSUL DUSSELDORF
AMCONSUL FRANKFURT
AMCONSUL MUNICH
AMCONSUL HAMBURG
AMCONSUL STUTTGART
USMISSION BERLIN

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DEPARTMENT PASS TREASURY, FEDERAL RESERVE, AND EXIM

VIENNA FOR GEORGE DIETZ

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: LIBERALIZATION OF THE BARDEPOT

REF: (A) BONN 10113; (B) BONN 7773; (C) BONN 1724;
(D) BONN A-46

1. SUMMARY: THE BUNDESBANK IS CURRENTLY INTERPRETING
"COMMERCIALLY CUSTOMARY TERMS OF PAYMENT" MORE
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LIBERALLY THAN PREVIOUSLY. THE BARDEPOT ORDINANCE WILL

PROBABLY BE CHANGED EARLY NEXT MONTH TO EXEMPT FROM THE BARDEPOT AND LICENSING REQUIREMENTS "COMMERCIALLY CUSTOMARY" FINANCIAL CREDITS WHICH ARE TIED TO AN FRG IMPORT BUT WHICH ARE NOT GRANTED DIRECTLY BY THE SUPPLIER AND ALSO TO EXEMPT ALL CREDITS OF UP TO 3 OR 6 MONTHS WHICH ARE TIED TO FRG IMPORTS. END SUMMARY

2. BUNDESBANK AND ECONOMICS MINISTRY OFFICIALS HAVE TOLD THE ASSISTANT FINANCIAL ATTACHE THAT THE BUNDESBANK IS NOW TAKING A MORE LIBERAL APPROACH TO THEIR DETERMINATION OF WHAT ARE "COMMERCIALLY CUSTOMARY TERMS OF PAYMENT" UNDER THE BARDEPOT FOR FRG IMPORTS. PREVIOUSLY, THE BUNDESBANK RULED THAT "COMMERCIALLY CUSTOMARY TERMS OF PAYMENT" FOR FRG IMPORTS WERE THOSE WHICH WERE CUSTOMARILY GIVEN BY THE MAJORITY OF SELLERS OF ANY GIVEN GOOD OR SERVICE. NOW THE BUNDESBANK WILL GRANT LONGER TERMS IF ONLY "20 TO 30 PERCENT" OF THE SELLERS HAD CUSTOMARILY GIVEN THESE TERMS IN THE PAST, EVEN THOUGH THE MAJORITY OF OTHER SELLERS OF THE PARTICULAR ITEM DO NOT GRANT AS LENGTHY REPAYMENT PERIODS.

3. A CHANGE IN THE BARDEPOT ORDINANCE (REF D) IS ALSO BEING PREPARED TO GRANT A BARDEPOT (AND LICENSING) EXEMPTION TO COMMERCIALLY CUSTOMARY CREDITS WHICH ARE TIED TO AN FRG IMPORT BUT WHICH ARE NOT GRANTED DIRECTLY BY THE SELLER (I.E., EXIM BANK CREDITS). THIS CHANGE SHOULD ALLEVIATE OUR CONCERNS AS EXPRESSED IN REF A .

4. IT IS ALSO PROPOSED TO MODIFY THE BARDEPOT ORDINANCE TO AUTOMATICALLY GRANT A BARDEPOT (AND LICENSING) EXEMPTION FOR ALL CREDITS WITH MATURITIES OF UP TO THREE OR SIX MONTHS WHICH ARE TIED TO AN FRG IMPORT. THE BUNDESBANK IS CURRENTLY LEANING IN FAVOR OF A SIX MONTH AUTOMATIC EXEMPTION WHILE THE ECONOMICS MINISTRY IS THINKING MORE ON THE ORDER OF THREE MONTHS.

5. THESE CHANGES ARE EXPECTED TO BE FINALIZED AND LIMITED OFFICIAL USE

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PUT INTO FORCE SOMETIME IN EARLY JANUARY.

6. HAASE (ECONOMICS MINISTRY) SAID THAT NO OTHER RELAXATION IN FRG CAPITAL CONTROLS WAS ENVISIONED AT THIS TIME AND THAT THE FRG WAS TAKING A WAIT AND SEE ATTITUDE REGARDING THE OIL CRISIS AND DEVELOPMENTS ON THE INTERNATIONAL ECONOMIC AND MONETARY FRONTS.

7. COMMENT: THESE CHANGES, ONCE THEY ARE IN FORCE
AND ARE COMMON KNOWLEDGE, SHOULD REMOVE THE BARDEPOT
AS AN "NTB" IN MOST CASES. AS THE DISPARITY BETWEEN
DOMESTIC INTEREST RATES IN THE FRG AND INTEREST
RATES IN THE OTHER MAJOR INDUSTRIAL COUNTRIES AND
ON THE EURO MARKETS HAS DECLINED CONSIDERABLY, WE
DO NOT FORESEE ANY SIGNIFICANT CHANGES IN CAPITAL
MOVEMENTS RESULTING FROM THE PROPOSED MODIFICATIONS
TO THE BARDEPOT ORDINANCE.
HILLENBRAND

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Disposition Approved on Date:
Disposition Authority: morefirh
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